

**Manner of Execution of Subsidy Programmes, Including the Amounts Allocated and the Details of Beneficiaries of Such Programmes**

- RTI Mandatory Information in r/o DBA-II / NER Section Dated 14-10-2014

**Briefs on Policy/ Schemes administered by DBA-II & NER Sections**

1. **North East Industrial and Investment Promotion Policy (NEIIPP), 2007**

**1.1 Background of the scheme:**

With a view to give a further boost to industrialization in the North Eastern Region, the erstwhile North East Industrial Policy (NEIP), 1997 was revised and a new policy, namely North East Industrial & Investment Promotion Policy (NEIIPP) 2007, was notified w.e.f. 1.4.2007 which will remain in force upto 31.03.2017. Benefits under NEIIPP, 2007 have also been extended, for the first time, to the select Service Sector units, Bio-technology units and Power Generating units (up to 10 MW), besides industries in the manufacturing Sector. This policy replaces the erstwhile NEIP, 1997.

**1.2** NEIIPP, 2007 is applicable to all industrial units (barring the units producing tobacco and manufactured tobacco substitutes, pan masala and plastic carry bags of less than 20 microns, refineries and units engaged in peripheral activities like preservation during storage, cleaning operations, packing, re- packing, labeling or re-labeling, sorting, alteration of retail sale price etc.).

**1.3** NEIIPP, 2007 covers the entire North East Region comprising States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim.

**1.4** Benefits available under the policy are: \_

Central Capital Investment Subsidy Scheme, 2007:-The Scheme provides for subsidy @ 30% of the investment in plant and machinery or additional investment in Plant and Machinery by way of substantial expansion to all new units as well as existing units which go in for substantial expansion. **The scheme has been revised w.e.f. 22.11.2016 and the subsidy is now limited to Rs. 5.00 crore per industrial unit operating in manufacturing sector and Rs. 3.00 crore per industrial unit operating in services sector.**

◆ **Central Interest Subsidy Scheme:-** The Scheme provides for interest subsidy @ 3% on the working capital loan availed by an eligible unit from scheduled banks or Central/State financial institutions for a maximum period of 10 years from the date of commencement of production. **The scheme has been revised w.e.f. 22.11.2016 and now the interest subsidy will be available only on term loans of 5-10 years maturity taken to finance capital expenditure on setting up of industrial units or for capital expansion on substantial upgradation/ modernization.** The interest subsidy will be limited to term loans up to Rs. 10.00 crore to subsidize cost of borrowing above Prime Lending Rate (PLR) to the extent of up to 3% p.a. so as to ensure that post-subsidy interest rate does not fall below the PLR of the concerned bank or financial institution.

◆ **Central Comprehensive Insurance Scheme:** - The Scheme provides for reimbursement of 100% insurance premium for a maximum period of 10 years from the date of commencement of production.

◆ **100% Income Tax exemption**

◆ **Excise Duty exemption on value addition basis.**

**1.5** North Eastern Development Finance Corporation Ltd. (NEDFi), Guwahati is the nodal agency for disbursement of subsidies under various subsidy schemes of NEIIPP, 2007. **It has now been decided that henceforth the subsidies payable to all the industrial units will be disbursed through Direct Benefit Transfer.**

**1.6** The budget allocation for schemes under NEIIPP, 2007 for the 12th Five year plan is Rs.700 crores, however, Rs.841.72 crore has already been released till 31.03.2017.

**1.7** Under NEIIPP, 2007, since inception, Rs. 1141.70 crores have been released to the States of NER out of which an amount of Rs. 149.99 crores during 2013-14, Rs. 221.90 crores during 2014-15, Rs. 200.00 crore during 2015-16 and Rs.170 crore during 2016-17 has been released.

**1.8** Pending liability under the Policy as on 31.01.2017 is Rs.803.68 crore. However, Rs.600.00 crore has been allocated for NEIIPP, 2007 at BE 2017-18.

**1.9 Suspension of fresh registrations under NEIIPP:**

DIPP has incurred liabilities far in excess of the Plan outlay. In view of the resource crunch and to curtail further liabilities under the scheme, fresh registrations under NEIIPP have been suspended w.e.f 1.12.2014. It has now been decided by the Government to revise the above Policy for the industrial units which had commenced production on or after 01.12.2014 (hereinafter referred to as ◆the new industrial units◆). The units registered before 01.12.2014 would continue to get benefits as per pre-revised norms. The new industrial units who are eligible for registration are, therefore, now invited to register themselves to avail the benefits as per revised norms of subsidy. The suspended registration process is, therefore, being resumed with immediate effect.

**1.10 Sunset clause** for NEIIPP has already been defined that is 31.3.2017.

**1.11 Achievements of NEIIPP, 2007** in terms of Industrial units set up is 27644 units, Investment made is Rs. 11466.22 crores and Employment generated (in nos.) is 228224.

**1.12 New Policy Initiative:-** Government has constituted a Committee under the Chairmanship of CEO, NITI Aayog consisting of Secretaries of Ministries/Departments of Development of North Eastern Region, Expenditure, Commerce, Skill Development and Entrepreneurship, Micro Small and Medium Enterprise, Textiles, Tourism, Health and Family Welfare, Power and Industrial Policy and Promotion to examine and suggest a roadmap for a new industrial policy for North Eastern and Himalayan States. The Committee has held meetings with State Govt./Ministries/Stakeholders.

**2. Transport Subsidy Scheme(TSS,1971)/ Freight Subsidy Scheme (FSS), 2013:**

**2.1** The Transport Subsidy Scheme (TSS) was introduced on 23.7.1971 to develop industrialization in the remote, hilly and inaccessible areas. The scheme was applicable to all industrial units (barring plantations, refineries and power generating units both in public and private sectors irrespective of their size). Under the scheme, subsidy on the transport cost for transportation of raw material and finished goods to and from the location of the unit and the designated rail-head was reimbursed for a period of 5 years from the date of commencement of commercial production. For North Eastern states, J&K and UTs, subsidy is 90%. For HP, Uttarakhand and

Darjeeling Districts of West Bengal it is 75% of transport cost. However, for the movement of goods within NER, the subsidy is 50% on finished goods and 90% on raw material.

2.2 Transport Subsidy Scheme was modified and notified as Freight Subsidy Scheme (FSS), 2013, w.e.f. 22.1.2013 for a period of five years. Salient features of this Scheme are as follows:

- (i) Definition of manufacturing activity adopted from the Union Budget 2009-10;
- (ii) Subsidy on transportation of fly ash disallowed;
- (iii) Sunset clause introduced so that the Scheme terminates after 5 years from its date of notification;
- (iv) Provision for subsidy for an additional period of 5 years to MSME;
- (v) Plantations, Refineries, Power generating units, Coke (including Calcined Petroleum Coke) industry and the units producing tobacco and manufactured tobacco substitutes, pan masala and plastic carry bags of less than 20 microns have been placed in the negative list.

2.3 The scheme covers eight States of the North East, Himachal Pradesh, Jammu & Kashmir, Uttarakhand, Andaman & Nicobar Administration, Lakshadweep Administration and Darjeeling District of West Bengal.

2.4 The disbursement of subsidy to the eligible industrial units in the States is made through the nodal agencies appointed for the purpose. These are:

- (i) North East Development Financial Corporation (NEDFi), Guwahati for the eight states of North Eastern Region;
- (ii) Jammu & Kashmir Development Finance Corporation Ltd. (JKDFC) for Jammu & Kashmir;
- (iii) Himachal Pradesh State Industrial Development Corporation (HPSIDC) for Himachal Pradesh;
- (iv) State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd. (SIIDCUL) for Uttarakhand.

The disbursement of subsidy to the industrial units in the Union Territories is made through the UT Administrations. In Darjeeling district of West Bengal, the disbursement of subsidy is made through State Government of West Bengal.

**2.5 It has now been decided that disbursement of subsidies under TSS, 1971 and FSS, 2013 to eligible industrial units will be henceforth through Direct Benefit Transfer (DBT).**

2.6 There is budgetary constraint in the implementation of the scheme as against the Plan allocation of Rs.500.00 crore for Transport Subsidy/Freight Subsidy for the 12<sup>th</sup> Five Year Plan, the expenditure incurred till 31.12.2016 is Rs.678.39 crore (including Rs.70.00 crore allocated at BE 2016-17).

2.7 Under TSS, 1971/FSS, 2013, since inception, an amount of Rs.3760.48 (approx.) has been released to the States/UTs. Rs. 220.00 crores during 2013-14, Rs. 124.49 crores released during FY 2014-15, Rs. 59.99 crores released during FY 2015-16. In the FY 2016-17, Rs.70.00 crores has been released. In the current FY 2017-18, out of the total allocation of Rs. 293.71 crore, Rs. 264.33 crore has already

been released.

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**2.8** There is pending liability of Rs.686.08 crore under the Scheme as on 31.01.2017. However, Rs.29.38 crore is still available for disbursement under TSS, 1971/FSS, 2013 at BE 2017-18.

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**2.9** The Freight Subsidy Scheme (FSS), 2013 has been discontinued, with effect from 22.11.2016. However, industrial units registered under the scheme prior to the date of issue of DIPP's notification dated 22.11.2016 will be eligible for the benefits of the scheme.

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### Special Package Section:

Package of incentives for promoting industrialization in the States of Jammu & Kashmir, Himachal Pradesh & Uttarakhand are being looking after by Special Package Section.

In 2002-03, the Government announced three packages of economic incentives for promoting industrialization in the State of Jammu & Kashmir, Himachal Pradesh and Uttarakhand. The package for Jammu and Kashmir was issued on 14.06.2002 and that for Himachal Pradesh and Uttarakhand on 07.01.2003.

#### **J&K**

New Industrial policy and other concessions for the State of J&K were introduced by the DIPP on 14<sup>th</sup> June, 2002 for a period of ten years. The incentives/concessions provided for industrial development in the State are (i) Central Capital Investment Subsidy Scheme, 2002; (ii) Central Interest Subsidy Scheme, 2002; (iii) the Central Comprehensive Insurance Scheme, 2002; (iv) 100% Income tax exemption allowed to all new units for initial period of 5 years and thereafter, 30% for Companies and 25% for units other than Companies, for a further period of five years, under Section 80-IB of Income Tax Act, 1961 and (v) Excise Duty exemption. The package of incentives for the State of J&K expired on 14<sup>th</sup> June, 2012. However, the package has been extended for a further period of five years **w.e.f. 15.06.2012 to 14.06.2017** with certain modifications. The new package provides the following incentives:-

1 . **Central Capital Investment Subsidy Scheme** : All new industrial units and existing industrial units on their substantial expansion, would be eligible for Capital Investment Subsidy @ 15% of the investment of Plant & Machinery, subject to a ceiling of Rs. 30 lakh. Micro, Small and Medium enterprises would be eligible for Capital Investment Subsidy of 30% of the investment of plant & machinery, subject to ceiling of Rs. 3.00 crore and Rs. 1.50

crore for manufacturing and service sector respectively.

2 . **Central Interest Subsidy Scheme** : An interest subsidy of 3% on the average of daily working capital loan would be provided to all new industrial units for a period of five years from the date of commencement of commercial production.

3 . **Central Comprehensive Insurance Subsidy Scheme** : An Insurance subsidy to the extent of 100% would be admissible during the extended package to all new units and to the existing units on substantial expansion for a period of five years from the date of commencement of commercial production.

### **Progress made since inception of the scheme**

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#### **Figures Rs. in Crore**

Central subsidy released	Number of unit set up	Investment made	Employment Generated.
246.90	14778	4219.501	107541

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**Implementing Agency/Nodal Agency:** Jammu & Kashmir Development Finance Corporation Ltd. (JKDFC) has been notified as the Nodal Agency for routing the disbursement of subsidy to the eligible industrial units in the state of Jammu & Kashmir.

### **Himachal Pradesh and Uttarakhand**

New Industrial policy and other concessions for the States of Himachal Pradesh and Uttarakhand were introduced by the DIPP on 7<sup>th</sup> January, 2003 for a period of ten year from 7.1.2003 to 6.1.2013. Details of incentives/concessions provided for industrial development in the States are (i) Central Capital Investment Subsidy Scheme, 2003; (ii) 100% income tax exemption for an initial period of five years and thereafter 30% for companies and 25% for other than companies for a further period of five years under Section 80-C of Income Tax Act, 1961 and (iii) Central Excise Duty exemption: 100% exemption on outright basis to the industrial units set up or expanded in these States was available till 31.03.2010. The scheme expired on 06.01.2013. However, Package has been further extended during the 12<sup>th</sup> Plan period for a further period w.e.f. 07.01.2013 to 31.03.2017. The new package includes the following:-

**Central Capital Investment Subsidy Scheme 2013.** All new industrial units and existing industrial units on their

substantial expansion, would be eligible for Capital Investment Subsidy @ 15% of the investment of Plant & Machinery subject to a ceiling of Rs. 30 lakh. Micro, Small and Medium enterprises would be eligible for Capital Investment Subsidy of 15% of the investment in plant & machinery subject to a ceiling of Rs. 50 lakh.

**Progress Made**

<b>Himachal Pradesh</b>			
Central subsidy released	Number of unit set up	Investment made	Employment Generated.
287.63	11404	15983.45	130633
<b>UTTARAKHAND</b>			
Central subsidy released	Number of unit set up	Investment made	Employment Generated.
277.73	33174	36165.32	263744

**Implementing Agency/Nodal Agencies:**

Himachal Pradesh State Industrial Development Corporation Ltd. (HPSIDC) and State Industrial Development Corporation of Uttarakhand Ltd. (SIDCUL) are the Nodal Agencies for routing the disbursal of subsidies in the states of Himachal Pradesh and Uttarakhand respectively.